

Chrono

OLL 83-2491

18 October 1983

STAT

MEMORANDUM FOR THE RECORD

FROM:

[redacted]

Office of Legislative Liaison

STAT

SUBJECT: Private Letter to Congressman

STAT

1. On 13 October 1983, I received a request from [redacted] OGC, to respond to a request from an Agency employee for guidance concerning a letter he proposed to write to his congressman concerning a suggested revision to the federal retirement system (a copy of this letter with cover memo is attached).

STAT

2. After consulting with [redacted] and Chief, Legislation, OLL, I telephoned this employee, confirmed that he was not undercover, and indicated that so long as he did not represent himself as speaking for the CIA, the Office of Legislative Liaison had no objection to his letter.

[redacted]

STAT

Attachment

cc:

[redacted]

STAT

Distribution:

- 1 - OLL Chrono (w/o attach)
- ✓ 1 - LEG File: Personnel General
- 1 - [redacted] Signer

[redacted] (18 October 1983)

STAT

STAT

48

FILE: OGC
PAGE 001

MEMO

General Counsel

85-07840

STAT

TO: CHIEF OGC/ALD
7C36 HQS

FROM:

STAT

The attached letter is being routed to OGC/ALD per a TELECON with [REDACTED] on 19 September 1983.

STAT

I would appreciate your views (legal or otherwise) on the appropriateness of the attached letter being forwarded to the addressee in its present form. As you will note, the letter makes no mention of the Agency or that the author is an Agency employee. However, if the Congressman chooses to follow-up on the subject then I am sure those facts will come to light. Because of this possibility, I am soliciting your views and recommendations.

Looking forward to your prompt consideration of this subject.

STAT

STAT

Fairfax, VA 22030

25 August 1983

The Honorable Stan Parris
Congress of the United States
House of Representatives
Washington, D. C. 20515

Dear Mr. Parris:

Being a constituent of yours, and being aware of the fact that you are desirous of curbing the federal deficit, I would like to submit the following:

Having recently gone through the process of updating annuities for retirees on a small Federal retirement system and having been exposed to the new changes to the Federal Retirement System as mandated by Congress, it is my belief that a more equitable way of establishing annuity limits should be addressed.

There is a gross injustice built into the current process as annuitants can and indeed do draw more annual income from the retirement system than they earned annually while working. This in itself is not necessarily evil, however, annuitants can and do draw more income than their currently employed counterparts do at the comparable grade at which the annuitant retired.

As an example: Let us say that an individual retired in 1975 as a GS-12, Step 5, with 30 years' service. For the sake of simplicity, we will say he qualified for 60 percent annuity based on a high salary as a GS-12, Step 5.

These factors are roughly applied and, of course, do not take into consideration that the "high 3 average" is usually somewhat lower than the actual grade and step held at retirement. This could be compensated for by recording both the retirement grade and step along with a high 3 equivalent which would be used for the actual calculations.

In 1975, a GS-12, Step 5, was paid \$19,829.

At 60 percent, the annual annuity would be \$11,897.

Let us also say that he qualified for all the COLA increases from 1975 to 1983.

1975 - \$11,897 at 7.3 equals	\$12,765	
1975 - 12,765 at 5.1 equals	13,416	67% of base grade \$19,829
1976 - 13,416 at 5.4 equals	14,140	
1977 - 14,140 at 4.8 equals	14,819	
1977 - 14,819 at 4.3 equals	15,456	67% of base grade 23,166
1978 - 15,456 at 2.4 equals	15,827	
1978 - 15,827 at 4.9 equals	16,603	67% of base grade 24,799
1979 - 16,603 at 3.9 equals	17,251	
1979 - 17,251 at 6.9 equals	18,441	70% of base grade 26,167
1980 - 18,441 at 6.0 equals	19,547	
1980 - 19,547 at 7.7 equals	21,052	75% of base grade 27,995
1981 - 21,052 at 4.4 equals	21,978	72% of base grade 30,543
1982 - 21,978 at 8.7 equals	23,890	75% of base grade 32,013
1983 - 23,890 at 3.3 equals	24,678	

A currently employed GS-12, Step 5, earns an annual income of \$33,290, 60 percent of which would be 19,974. As can be seen, the annuitant earns more than 60 percent of that current grade level. In fact, he earns 74 percent of the current grade level. While this example may be an average and could be considered the norm, there are numerous cases where annuitants receive more than when they were working. In fact, there are a few cases where individuals receive more than the currently employed top grade individuals earn. Yes, Virginia! there are retirees making in excess of \$65,000.

An equitable solution to this problem would be to set annuity limits for all retirees based on their personal percentage figures as applied to the current normal salary (the "high 3 equivalency" of the grade and step) which they held at retirement. This would mean that their retirement annuity limit would always be a fixed percentage of the current salary of the equivalency grade and step which they held at the time of retirement.

An exception, for those individuals who were downgraded within 2 years of retirement, then their grade and step for annuity limit determination should be considered as the grade and step which they held prior to the downgrade. Any individual downgraded prior to 2 years of retirement should use the grade and step at the time of retirement as their basis for annuity limit determination.

Another exception to this proposition should be made for those upper level employees whose pay was capped by law. Those individuals should be permitted to have their annuity limit established against the actual projected pay for those grades GS-15, Step 7, and above and not the legal limit as mandated by law.

Enactment of such a proposition as this should not be retroactive. Any individuals earning in excess of their limit would continue to draw their current annuity, but would not be eligible for any increase of annuity until such time as the pay ceiling for their retirement grade allowed their limit to float above their current annuity payment.

Enactment of such a proposition, would provide a constant and equitable means of establishing annuity limits, a proportionate and dynamic distribution of annuity income vis-a-vis the working employee and extend the integrity life-cycle of the Federal Retirement System(s).

Based on past experience with the current system and without conducting any in-depth cost analysis, a conservative \$2,000 per retiree per year could be eliminated from the cost of operating the system. When multiplied by the approximately 2 million retirees on the Federal System(s), one can begin to realize the potential savings to the system by enactment of such a proposition.

For survivorship cases, the full COLA adjustment would be applied until such time as the survivor annuity reached some predetermined limit. As the survivor can never start with more than 55 percent of the original annuitant's annuity, it would be a number of years before any control of annuity limits would be of concern. However, in order to be fair with all concerned, the survivor annuity should never exceed 55 percent (or whatever percentage was applicable) of what the original annuitant's grade and step would have been if he had remained in an annuitant status.

Another aspect to consider is not to be concerned with a cost of living percentage, but only adjust the annuity if General Schedule employees receive a wage increase during the year. If so, then apply the individual's retirement percentage against the appropriate G.S. salary and adjust the annuity accordingly.

If the annuitant should have elected a survivor benefit, then determine the appropriate percentage of increase to the annuity (if any) and apply that percentage to the survivor benefit rate. This would insure that the annuitant's annuity and the survivor benefit rate are always in step.

Realizing this proposal is not all encompassing, but rather limited in detail, it has been submitted in good faith and in hope that it will receive due consideration for the establishment of a retirement system that will be equitable to all concerned.